

**MADISON COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND INDEPENDENT AUDITOR'S REPORTS**

Year Ended June 30, 2017

# MADISON COUNTY SCHOOL DISTRICT

## TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2017

	<u>Page</u>
<b>Independent Auditor's Report .....</b>	<b>1-3</b>
<b>Management's Discussion and Analysis .....</b>	<b>4-11</b>
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position.....	12
Statement of Activities .....	13
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds .....	14
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Net Position – Proprietary Funds .....	18
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	19
Statement of Cash Flows – Proprietary Funds .....	20
Statement of Fiduciary Net Position – Fiduciary Funds.....	21
<b>Notes to the Basic Financial Statements .....</b>	<b>22-45</b>
<b>Required Supplementary Information:</b>	
<b>Budgetary Comparison Schedules</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund .....	46
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund .....	47

**MADISON COUNTY SCHOOL DISTRICT**

**TABLE OF CONTENTS - CONTINUED**

**YEAR ENDED JUNE 30, 2017**

**Pension Schedules and Notes to Schedules**

Schedule of the District's Proportionate Share of the CERS Net Pension Liability.....	48
Schedule of the District's Proportionate Share of the TRS Net Pension Liability.....	49
Schedule of Contributions to CERS .....	50
Schedule of Contributions to TRS.....	51
Notes to Required Supplementary Information .....	52

**Supplementary Information:**

**Combining Statements – Nonmajor Funds:**

Combining Balance Sheet – Nonmajor Governmental Funds.....	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	54
Combining Statement of Fiduciary Net Position – Fiduciary Funds .....	55

**Schools:**

Schedule of Assets, Cash Receipts and Disbursements and Liabilities – All Schools.....	56
Schedule of Assets, Cash Receipts and Disbursements and Liabilities – Madison Central High School .....	57-59
Schedule of Assets, Cash Receipts and Disbursements and Liabilities – Madison Southern High School .....	60-61
<b>Schedule of Expenditures of Federal Awards .....</b>	<b>62-63</b>
<b>Notes to the Schedule of Expenditures of Federal Awards .....</b>	<b>64</b>
<b>Schedule of Findings and Questioned Costs.....</b>	<b>65-66</b>
<b>Summary Schedule of Prior Year Audit Findings .....</b>	<b>67</b>
<b>Independent Auditor's Report on Internal Control Over Financial Reporting On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....</b>	<b>68-69</b>
<b>Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....</b>	<b>70-71</b>

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### INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Madison County School District  
Richmond, Kentucky

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison County School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of a Matter**

As discussed in Note 1 to the financial statements, during the year ended June 30, 2017, the District adopted Governmental Accounting Standards Board Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Statement 77, *Tax Abatement Disclosures*, Statement 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, Statement 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement 14*, and Statement 81, *Irrevocable Split-Interest Agreements*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 11, budgetary comparison information on pages 46 to 47, schedule of proportionate share of the net pension liability on pages 48 to 49 and schedule of contributions on pages 50 to 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

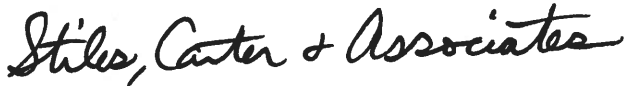
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Madison County School District's basic financial statements. The combining financial statements, school schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining financial statements, school schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with accounting standards generally accepted in the United States of America. In our opinion, the combining financial statements, school schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated September 25, 2017, on our consideration of Madison County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison County School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Stiles, Carter & Associates".

Certified Public Accountants  
Elizabethtown, Kentucky  
September 25, 2017

## **REQUIRED SUPPLEMENTARY INFORMATION**

Madison County School District  
Management's Discussion and Analysis (MD&A)  
June 30, 2017

As management of the Madison County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for the District was \$26.19 million, including \$5.24 million in construction projects.
- The district constructs and renovates facilities with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations.
- Construction of Boonesborough Elementary began in Fiscal Year 2017, and was considered 6.85% complete at year end.
- In Fiscal Year 2017, the Madison Southern Batting/Storage Facility construction project was completed. No bonds were issued for this project.
- Renovation projects were completed in Fiscal Year 2017 at Daniel Boone, Kit Carson, Silver Creek, and White Hall Elementary Schools. In addition, the renovation project for Foley Middle School was completed during Fiscal Year 2017.
- The Madison Southern High School Storage/Batting Facility project was also completed in Fiscal Year 2017. No bonds were issued for this project.
- Refunding bonds were issued on bond series 2008 and 2009, resulting in cost savings of \$1.39 million to the district. The par value of the new bonds is \$27,790,000.
- The General Fund had \$72.08 million in receipts, net of on-behalf payments from the state and interfund transfers. These receipts primarily consisted of the state program (SEEK), property, utility, and motor vehicle taxes. The beginning balance included \$0.57 million encumbered and \$0.51 million site based carryover from Fiscal 2016. Excluding interfund transfers and net of on-behalf payments, there were \$68.3 million in General Fund expenditures.
- Payment of the Fiscal Year 2017 obligation of \$236,946 for Kentucky School Boards Insurance Trust reduced the long-term liability to \$377,006 as of year end.
- General Fund dollars were required to supplement transportation expenses unfunded by the state.
- The district recognized TRS pension expense of \$34,238,357 for support provided by the state. The TRS government-wide activities adjustment of \$27,323,127 was allocated to program and instruction revenues and offset in instruction expenses. The remaining \$6,915,230 was reflected in governmental funds.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found in the table of contents of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found in the table of contents of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the table of contents of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of Madison County Schools, assets and deferred outflows exceeded liabilities and deferred inflows by \$86.49 million for Governmental Activities as of June 30, 2017. Liabilities exceeded assets by \$0.02 million for Business Type Activities.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The district's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Liabilities and deferred inflows in excess of assets and deferred outflows for the Business Type Activities is the result of GASB 68 in which the district is required to report net pension liability of \$3.55 million.

Table 1  
Net Position  
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Current and Other Assets	27.64	28.08	1.38	2.09	29.02	30.17
Capital Assets	<u>178.75</u>	<u>179.55</u>	<u>0.70</u>	<u>0.65</u>	<u>179.45</u>	<u>180.20</u>
Total Assets	<u>206.39</u>	<u>207.63</u>	<u>2.08</u>	<u>2.74</u>	<u>208.47</u>	<u>210.37</u>
Deferred Outflows	<u>4.36</u>	<u>8.14</u>	<u>0.52</u>	<u>0.79</u>	<u>4.88</u>	<u>8.93</u>
Long-term Debt	121.41	119.26	3.30	3.53	124.71	122.79
Other Liabilities	<u>9.88</u>	<u>9.99</u>	<u>0.00</u>	<u>0.02</u>	<u>9.88</u>	<u>10.01</u>
Total Liabilities	<u>131.29</u>	<u>129.25</u>	<u>3.30</u>	<u>3.55</u>	<u>134.59</u>	<u>132.80</u>
Deferred Inflows	<u>0.99</u>	<u>0.03</u>	<u>0.17</u>	<u>-</u>	<u>-</u>	<u>0.03</u>
<b>Net Position</b>						
Net Investment in Capital Assets	72.91	80.16	0.71	0.65	73.62	80.81
Restricted	10.18	7.15	-	-	10.18	7.15
Unrestricted	<u>(4.63)</u>	<u>(0.82)</u>	<u>(1.57)</u>	<u>(0.67)</u>	<u>(6.20)</u>	<u>(1.49)</u>
<b>Total Net Position</b>	<u>\$ 78.46</u>	<u>\$ 86.49</u>	<u>\$ (0.86)</u>	<u>\$ (0.02)</u>	<u>\$ 77.60</u>	<u>\$ 86.47</u>

## GOVERNMENTAL ACTIVITIES

For fiscal 2017, the district had an increase in net position of \$8.03 million. This is primarily due to the increased investment in net capital assets.

Table 2  
Statement of Activities

	Governmental Activities		Business-type Activities	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Revenue				
Charges for services	\$ 50,593	\$ 47,274	\$ 1,058,585	\$ 1,080,003
Operating grants and contributions	41,581,234	57,867,428	5,540,603	5,836,186
Capital grants and contributions	4,804,745	5,000,375		
General revenues & extraordinary item	77,691,946	79,204,627	2,940	13,661
Total revenue	124,128,518	142,119,704	6,602,128	6,929,850
Expenses				
Instruction	78,396,206	94,210,709	-	-
Student support services	5,911,827	6,176,857	-	-
Instructional staff support	5,411,895	5,596,540	-	-
District administration	1,328,993	1,266,540	-	-
School administration	4,692,055	4,465,618	-	-
Business	1,741,222	1,757,404	-	-
Plant operation & maintenance	8,571,484	8,240,039	-	-
Student transportation	8,417,775	8,057,030	-	-
Non-instructional	1,440,122	1,076,461	-	-
Building improvement	-	-	-	-
Unallocated depreciation & amortization	-	-	-	-
Interest on long-term debt	3,803,309	3,238,144	-	-
Loss on disposal of general assets	-	-	-	-
Food service operations	-	-	7,165,574	6,090,629
Total expenses	119,714,888	134,085,342	7,165,574	6,090,629
Change in net position	4,413,630	8,034,362	(563,446)	839,221
Net position, beginning	74,044,124	78,457,754	(298,049)	(861,495)
Restatement for adoption of GASB 65				
Restatement for adoption of GASB 68				
Net position, beginning as restated	74,044,124	78,457,754	(298,049)	(861,495)
Net position, ending	\$ 78,457,754	\$ 86,492,116	\$ (861,495)	\$ (22,274)

## BUSINESS-TYPE ACTIVITIES

Food service revenues from Federal grants increased from the prior year due to an increase in meals served. This was due to 14 of 18 schools participating in the Community Eligibility Provisions program, providing free meals to students school-wide. In addition, three of the five middle schools began serving dinners to students in after school programs. Recording of additional net pension liability of \$227,563 for fiscal 2017, as required by GASB 68, is the cause of the decrease in net position.

## CAPITAL ASSETS

At the end of fiscal 2017, the District had \$180.20 million invested in capital assets (\$179.55 million in governmental capital assets), including land, buildings, buses, computers and other equipment. This amount represents a net increase (including additions and deductions) of \$0.75 million, or 0.41%, over last year. This increase is due primarily to the increase in Vehicles and Construction in Progress.

Table 3  
Capital Assets at Year-End  
(Net of Depreciation, in Millions)

	Governmental Activities		Business-type Activities		Totals	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Land	\$ 4.07	\$ 4.00	\$ -	\$ -	\$ 4.07	\$ 4.00
Buildings & Improvements	156.74	153.15	-	-	156.74	153.15
Technology Equipment	0.23	0.14	0.01	-	0.24	0.14
Vehicles	4.76	4.82	-	-	4.76	4.82
General Equipment	1.45	1.48	0.70	0.65	2.15	2.13
Construction in Progress	11.50	15.96	-	-	11.50	15.96
Totals	<u>\$ 178.75</u>	<u>\$ 179.55</u>	<u>\$ 0.71</u>	<u>\$ 0.65</u>	<u>\$ 179.46</u>	<u>\$ 180.20</u>

## DEBT

Refunding bonds were issued on bond series 2008 and 2009, resulting in cost savings of \$1.39 million to the district. The par value of the new bonds is \$27,790,000.

Table 4  
Outstanding Debt at Year-End  
(in Millions)

	Government Activities	
	<u>2016</u>	<u>2017</u>
General Obligation Bonds	<u>\$ 107.27</u>	<u>\$ 101.80</u>
Total Obligations	<u>\$ 107.27</u>	<u>\$ 101.80</u>

## COMMENTS ON BUDGET COMPARISONS

- Actual General Fund revenues exceeded the budget by \$0.96 million or approximately 1.07 percent. This variance is primarily seen in intergovernmental – state revenues and is due to the on-behalf payments from the state which exceeded the budget by \$0.58 million. Excluding on-behalf, the line items that varied most significantly were Property Tax, with a decrease of \$129,206; Motor Vehicle Tax, with an increase of \$108,67; Other Local Revenues with an increase of \$203,138; and intergovernmental – indirect federal with an increase of \$253,380.
- Actual General Fund expenditures were \$8.53 million less than the final budget. This was primarily due to a contingency of \$6.46 million, which was intended to remain unspent and carryover to the new year as the beginning balance. As with revenues, a variance exists in the expenditure side of reporting state on-behalf payments which exceeded the budget by \$0.58 million. Funds assigned for purchase obligations were \$1.19 million. Savings were generated in the area of instructional supplies, which consists largely of funds allocated to the schools. Site-based carryover belonging to the schools was \$0.51 million. Additional savings were generated in the areas of instruction staff and student transportation. General Fund budgeted expenditures compared to actual varied significantly in District Administrative Support. Workers compensation, unemployment and dental reimbursements are budgeted in their entirety in District Administrative Support; however, expenditures are made from the same function as the related salaries.

The following table presents a summary of revenue and expenditures for the fiscal year ended June 30, 2017, for selected funds.

Table 5  
Revenues & Expenditures  
(in Millions)

	General Fund	Special Revenue	Construction	Other Governmental Funds
<b>Revenues:</b>				
Local Sources	\$ 29.29	\$ 0.19	\$ 0.01	\$ 8.37
State Sources	59.69	4.52	-	4.90
Federal Sources	0.88	6.68	-	0.10
<b>Total Revenues</b>	<b>89.86</b>	<b>11.39</b>	<b>0.01</b>	<b>13.37</b>
<b>Expenses:</b>				
Instruction	54.61	7.96	-	0.32
Student Support	5.52	0.64	-	-
Instructional Support	3.54	1.97	-	0.08
District Administration	1.23	-	-	0.11
School Administration	4.44	-	-	-
Business Support	1.73	0.02	-	-
Plant Operations	8.35	0.05	-	-
Student Transportation	7.64	0.37	-	0.13
Community Support	0.03	0.97	-	-
Facilities Acquisition & Construction	0.56	-	4.08	0.16
Debt Service	-	-	-	9.81
<b>Total Expenses</b>	<b>87.65</b>	<b>11.98</b>	<b>4.08</b>	<b>10.61</b>
<b>Revenue Over (Under) Expenses</b>	<b>\$ 2.21</b>	<b>\$ (0.59)</b>	<b>\$ (4.07)</b>	<b>\$ 2.76</b>

## THE DISTRICT'S FUNDS

As the District completed the year, its General Fund reflected a fund balance of \$17.97 million, which is higher than last year's fund balance of \$17.19 million. This increase is due to the increase in purchase obligations (\$.61 million) and unassigned balance (\$.17 million). It is important to note that a portion of the Fiscal Year 2017 balance is reserved for prior year encumbrances (\$1.19 million), site-based councils (\$0.51 million), and sick leave payable (\$0.36 million), along with \$0.475 million that was committed in FY2011 for future salaries. In FY2016, \$1.9 million was committed for property acquisition and future construction; the funds remain reserved for that purpose. In addition, In FY2008, we were able to reserve \$950,000 for the opening of B. Michael Caudill Middle School during FY2010. The funds were not required for that purpose and therefore remain reserved for future capital projects. In FY2009, FY2010, FY2011 and FY2012 we reserved \$958,519, \$950,000, \$975,000 and \$1,000,000 for future capital projects, which continue to be reserved. Additionally, funds are committed for buses (\$1.11 million), equipment (\$0.33 million), and roofing (\$0.8 million). Unassigned Fund Balance increased slightly (\$0.17 million) to \$6.46 million.

## FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public schools' fiscal year is July 1 – June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a tentative budget for 2017-2018 with a contingency of 8.1% of the General Fund budget, net of on-behalf payments from the state and interfund transfers; down from 8.5% in 2016-2017 due to funding a 1.5% pay increase for employees with no projected tax rate increases to offset the additional expenses. It is important to note that the tentative budget was based on a SEEK base of \$3,981 per pupil. In 2014-2015, we experienced the first increase in SEEK in several years with a base of \$3,911. This rate came after five years of a flat base and reductions due to budget shortfalls. The SEEK base was \$3,866 in both 2008-2009 and 2009-2010, increased \$2 to \$3,868 for 2010-2011 and increased \$35 to \$3,903 in 2011-2012. However, in fiscal years 2011 and 2012, we experienced mid-year cuts due to the state's inability to fund their SEEK obligation. The rate declined to \$3,833 in fiscal 2013 and \$3,827 in fiscal 2014. Again in 2016, we experienced a mid-year SEEK cut. During 2017, districts were refunded a portion of the 2016 mid-year SEEK cuts.

Issues which will impact future budgets include:

- The inability of the state to restore SEEK funding to the necessary level
- Federal funding not maintaining the pace of mandated pay and fringe benefit increases
- Increased needs for the special education population and meeting 504 plan obligations
- Maintaining local funding for full-day kindergarten, which only receives .5 of the state base funding
- Insufficient funding of the state transportation formula
- The cumulative effect of the historic loss of local funding due to the 4% cap on increases in property tax revenue imposed by House Bill 44
- Property tax assessments in recent years increasing less than 4% combined with a public sentiment to forgo property tax rate increases
- Unknowns regarding funding of the state's pension systems
- Significant increases to the employer's pension contribution rates
- Potential federal budget cuts to crucial programs
- Increased costs of risk management and the unknown costs associated with the Affordable Care Act

In order to meet the demands of a growing student population, we opened B. Michael Caudill Middle School in 2009-2010 and Farristown Middle School in 2011-2012. The transition to full-day kindergarten necessitated the closing of Mayfield Elementary at the end of fiscal 2014 and the opening of Madison Kindergarten Academy in fiscal 2015 to better utilize the facility's capacity. Likewise, the relocation of

Richmond area preschool classrooms to Bellevue in fiscal 2015 provided much needed additional classroom space at area elementary schools. The district acquired property during FY2017 for the construction of Boonesborough Elementary in northern Madison County, and is expected to open in the fall of 2018. Continued growth will necessitate the use of Capital Outlay funds for their intended purpose with the imminent need for an additional secondary school. As a result, we have an increasing need to use Capital Outlay funds for their intended purpose rather than to offset General Fund expenditures for plant operation and maintenance costs, as we did for several years.

#### **CONTACTING THE MADISON COUNTY SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide residents, creditors, and other users with an overview of the Madison County School District's finances, fiscal practices and responsibility. If you have questions or need additional information, please contact the District's Finance Officer at PO Box 768, Richmond, KY 40476.

## **BASIC FINANCIAL STATEMENTS**

**MADISON COUNTY SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

June 30, 2017

<b>Assets</b>	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b><u>Current Assets</u></b>			
Cash, cash equivalents and investments	\$ 25,933,913	\$ 1,905,728	\$ 27,839,641
Inventory		125,564	125,564
Receivables:			
Accounts		6,098	6,098
Taxes-current	974,339		974,339
Taxes-delinquent	59,627		59,627
Other receivables	182,328		182,328
Intergovernmental-State	26,642		26,642
Intergovernmental-Indirect Federal	906,137	53,421	959,558
<b>Total Current Assets</b>	<b>28,082,986</b>	<b>2,090,811</b>	<b>30,173,797</b>
<b><u>Noncurrent Assets</u></b>			
Non-depreciable capital assets	19,801,000		19,801,000
Depreciable capital assets, net of accumulated depreciation	159,746,280	652,757	160,399,037
<b>Total Noncurrent Assets</b>	<b>179,547,280</b>	<b>652,757</b>	<b>180,200,037</b>
<b>Total Assets</b>	<b>207,630,266</b>	<b>2,743,568</b>	<b>210,373,834</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred amount on debt refundings	3,068,065		3,068,065
CERS	5,076,675	788,406	5,865,081
<b>Total Deferred Outflows of Resources</b>	<b>8,144,740</b>	<b>788,406</b>	<b>8,933,146</b>
<b>Liabilities</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	1,449,199	19,890	1,469,089
Unearned revenue	682,088		682,088
Bond obligations	6,820,000		6,820,000
KSBIT	94,252		94,252
Compensated absences	250,000		250,000
Interest payable	699,443		699,443
<b>Total Current Liabilities</b>	<b>9,994,982</b>	<b>19,890</b>	<b>10,014,872</b>
<b><u>Noncurrent Liabilities</u></b>			
Bond obligations	95,634,690		95,634,690
KSBIT	282,754		282,754
Net pension liability - CERS	22,726,905	3,529,481	26,256,386
Compensated absences	612,153		612,153
<b>Total Noncurrent Liabilities</b>	<b>119,256,502</b>	<b>3,529,481</b>	<b>122,785,983</b>
<b>Total Liabilities</b>	<b>129,251,484</b>	<b>3,549,371</b>	<b>132,800,855</b>
<b><u>Deferred Inflows of Resources</u></b>			
CERS	31,406	4,877	36,283
<b>Total Deferred Inflows of Resources</b>	<b>31,406</b>	<b>4,877</b>	<b>36,283</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	80,160,655	652,757	80,813,412
Restricted	7,150,504		7,150,504
Unrestricted	(819,043)	(675,031)	(1,494,074)
<b>Total Net Position</b>	<b>\$ 86,492,116</b>	<b>\$ (22,274)</b>	<b>\$ 86,469,842</b>

The notes to the financial statements are an integral part of this statement.

**MADISON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2017

**FUNCTIONS/PROGRAMS**

**Governmental Activities:**

	Expenses	Charges For Services	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
			Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Instruction	\$ 94,210,709	\$ 47,274	\$ 48,618,921	\$ -	\$ (45,544,514)	\$ -	\$ (45,544,514)
Support services:							
Student	6,176,857		1,942,988		(4,233,869)		(4,233,869)
Instruction staff	5,596,540		2,661,595		(2,934,945)		(2,934,945)
District administrative	1,266,540		90,102		(1,176,438)		(1,176,438)
School administrative	4,465,618		1,041,868		(3,423,750)		(3,423,750)
Business	1,757,404		337,912		(1,419,492)		(1,419,492)
Plant operation and maintenance	8,240,039		784,746		(7,455,293)		(7,455,293)
Student transportation	8,057,030		1,415,789		(6,641,241)		(6,641,241)
Community service activities	1,001,964		973,507		(28,457)		(28,457)
Facility acquisition and construction				4,119,626	4,119,626		4,119,626
Other	74,497				(74,497)		(74,497)
Interest on long-term debt	3,238,144			880,749	(2,357,395)		(2,357,395)
<b>Total Governmental Activities</b>	<b>134,085,342</b>	<b>47,274</b>	<b>57,867,428</b>	<b>5,000,375</b>	<b>(71,170,265)</b>	<b>-</b>	<b>(71,170,265)</b>
<b>Business-Type Activities:</b>							
Food service	6,090,629	1,080,003	5,836,186		-	825,560	825,560
<b>Total Business-Type Activities</b>	<b>6,090,629</b>	<b>1,080,003</b>	<b>5,836,186</b>	<b>-</b>	<b>-</b>	<b>825,560</b>	<b>825,560</b>
<b>Total Primary Government</b>	<b>\$ 140,175,971</b>	<b>\$ 1,127,277</b>	<b>\$ 63,703,614</b>	<b>\$ 5,000,375</b>	<b>(71,170,265)</b>	<b>825,560</b>	<b>(70,344,705)</b>

**General Revenues:**

Taxes:							
Property taxes					28,610,640		28,610,640
Motor vehicle taxes					3,008,671		3,008,671
Utility taxes					4,851,537		4,851,537
Revenue in lieu of taxes					162,681		162,681
Investment earnings					193,675	13,661	207,336
State and formula grants					41,999,483		41,999,483
Miscellaneous					377,940		377,940
<b>Total general revenues</b>					<b>79,204,627</b>	<b>13,661</b>	<b>79,218,288</b>
<b>Change in net position</b>					<b>8,034,362</b>	<b>839,221</b>	<b>8,873,583</b>
<b>Net position - beginning</b>					<b>78,457,754</b>	<b>(861,495)</b>	<b>77,596,259</b>
<b>Net position - ending</b>					<b>\$ 86,492,116</b>	<b>\$ (22,274)</b>	<b>\$ 86,469,842</b>

The notes to the financial statements are an integral part of this statement.

## **FUND FINANCIAL STATEMENTS**

MADISON COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2017

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash, cash equivalents and investments	\$ 17,445,793	\$ 329,506	\$ 7,650,229	\$ 508,385	\$ 25,933,913
Receivables:					
Taxes - current	974,339				974,339
Taxes - delinquent	59,627				59,627
Other receivables	131,792	14,337		36,199	182,328
Intergovernmental - State		26,642			26,642
Intergovernmental - Indirect Federal	213,750	692,387			906,137
Due from other funds		330			330
<b>Total Assets</b>	<u>\$ 18,825,301</u>	<u>\$ 1,063,202</u>	<u>\$ 7,650,229</u>	<u>\$ 544,584</u>	<u>\$ 28,083,316</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities</b>					
Accounts payable	\$ 476,109	\$ 119,671	\$ 853,200	\$ 219	\$ 1,449,199
Due to other funds	330				330
KSBIT	377,006				377,006
Unearned revenue		682,088			682,088
<b>Total Liabilities</b>	<u>853,445</u>	<u>801,759</u>	<u>853,200</u>	<u>219</u>	<u>2,508,623</u>
<b>Fund Balances</b>					
Restricted		261,443	6,797,029	92,033	7,150,505
Committed	9,809,563			435,685	10,245,248
Assigned	1,701,630			16,647	1,718,277
Unassigned	<u>6,460,663</u>				<u>6,460,663</u>
<b>Total Fund Balances</b>	<u>17,971,856</u>	<u>261,443</u>	<u>6,797,029</u>	<u>544,365</u>	<u>25,574,693</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 18,825,301</u>	<u>\$ 1,063,202</u>	<u>\$ 7,650,229</u>	<u>\$ 544,584</u>	<u>\$ 28,083,316</u>

The notes to the financial statements are an integral part of this statement.

## MADISON COUNTY SCHOOL DISTRICT

### RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2017

Total fund balance per fund financial statements	\$ 25,574,693
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	179,547,280
Governmental funds do not record deferred outflows of resources for pensions but those are reported on the statement of net position as deferred outflows of resources.	5,076,675
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	3,068,065
Governmental funds do not record deferred inflows of resources for changes in the net investment difference but those are reported on the statement of net position as deferred inflows of resources.	(31,406)
Certain liabilities are not reported in this fund financial statement because because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts/premiums)	(102,454,690)
Interest payable	(699,443)
Compensated absences	(862,153)
Net pension liability - CERS	(22,726,905)
KSBIT	
Net position for governmental activities	<u>\$ 86,492,116</u>

The notes to the financial statements are an integral part of this statement.

**MADISON COUNTY SCHOOL DISTRICT**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
**GOVERNMENTAL FUNDS**

Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Taxes:					
Property	\$ 20,833,794	\$ -	\$ -	\$ 7,776,846	\$ 28,610,640
Motor vehicle	3,008,671				3,008,671
Utilities	4,851,537				4,851,537
Earnings on investments	162,296	1,567	11,766	18,046	193,675
Other local revenues	266,638	192,553		573,012	1,032,203
Revenue in lieu of taxes	162,681				162,681
Intergovernmental - State	59,691,496	4,524,840		4,896,403	69,112,739
Intergovernmental - Indirect Federal	778,929	6,674,561			7,453,490
Intergovernmental - Direct Federal	103,367			103,972	207,339
<b>Total Revenues</b>	<b>89,859,409</b>	<b>11,393,521</b>	<b>11,766</b>	<b>13,368,279</b>	<b>114,632,975</b>
<b>Expenditures:</b>					
Instruction	54,614,166	7,956,014		319,111	62,889,291
Support services:					
Student	5,518,086	640,976			6,159,062
Instruction staff	3,536,569	1,972,182		78,926	5,587,677
District administrative	1,230,905			113,787	1,344,692
School administrative	4,442,145				4,442,145
Business	1,730,781	20,000			1,750,781
Plant operation and maintenance	8,354,213	47,751			8,401,964
Student transportation	7,637,152	366,143		128,906	8,132,201
Community service activities	27,811	972,566			1,000,377
Facilities acquisition and construction	557,534		4,077,476		4,635,010
Bond issuance costs				160,160	160,160
Debt service:					
Principal				6,880,000	6,880,000
Interest				2,932,530	2,932,530
<b>Total Expenditures</b>	<b>87,649,362</b>	<b>11,975,632</b>	<b>4,077,476</b>	<b>10,613,420</b>	<b>114,315,890</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>2,210,047</b>	<b>(582,111)</b>	<b>(4,065,710)</b>	<b>2,754,859</b>	<b>317,085</b>
<b>Other Financing Sources (Uses):</b>					
Insurance proceeds	141,296				141,296
Bond proceeds from refunding bonds				27,790,000	27,790,000
Bond premium				889,548	889,548
Accrued interest on bonds				22,309	22,309
Payments to refunded escrow agent				(28,516,970)	(28,516,970)
Transfers in	86,350	219,748	6,571,945	8,947,054	15,825,097
Transfers out	(1,659,748)	(86,350)		(14,078,999)	(15,825,097)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,432,102)</b>	<b>133,398</b>	<b>6,571,945</b>	<b>(4,947,058)</b>	<b>326,183</b>
<b>Net Change in Fund Balances</b>	<b>777,945</b>	<b>(448,713)</b>	<b>2,506,235</b>	<b>(2,192,199)</b>	<b>643,268</b>
<b>Fund Balance, July 1, 2016</b>	<b>17,193,911</b>	<b>710,156</b>	<b>4,290,794</b>	<b>2,736,564</b>	<b>24,931,425</b>
<b>Fund Balance, June 30, 2017</b>	<b>\$ 17,971,856</b>	<b>\$ 261,443</b>	<b>\$ 6,797,029</b>	<b>\$ 544,365</b>	<b>\$ 25,574,693</b>

The notes to the financial statements are an integral part of this statement.

## MADISON COUNTY SCHOOL DISTRICT

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Net change in total fund balances per fund financial statements	\$ 643,268
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	806,594
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	(162,578)
Bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	6,880,000
The difference between actuarial pension contributions to CERS and actual contributions made are recorded as adjustments in the statement of activities.	(109,551)
In the statement of activities, only the gain (loss) on sale of capital assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(6,471)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(16,900)</u>
Change in net position of governmental activities	<u><u>\$ 8,034,362</u></u>

The notes to the financial statements are an integral part of this statement.

**MADISON COUNTY SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

June 30, 2017

	Food Service Fund
<b>Assets</b>	
<b><u>Current Assets</u></b>	
Cash, cash equivalents and investments	\$ 1,905,728
Accounts receivable	6,098
Intergovernmental - Indirect Federal	53,421
Inventory	125,564
<b>Total Current Assets</b>	<b>2,090,811</b>
<b><u>Noncurrent Assets</u></b>	
Depreciable capital assets, net of accumulated depreciation	652,757
<b>Total Noncurrent Assets</b>	<b>652,757</b>
<b>Total Assets</b>	<b>2,743,568</b>
<b>Deferred Outflows of Resources</b>	
CERS	788,406
<b>Total Deferred Outflows of Resources</b>	<b>788,406</b>
<b>Liabilities</b>	
<b><u>Current Liabilities</u></b>	
Accounts payable	19,890
<b>Total Current Liabilities</b>	<b>19,890</b>
<b><u>Noncurrent Liabilities</u></b>	
Net pension liability - CERS	3,529,481
<b>Total Noncurrent Liabilities</b>	<b>3,529,481</b>
<b>Total Liabilities</b>	<b>3,549,371</b>
<b>Deferred Inflows of Resources</b>	
CERS	4,877
<b>Total Deferred Inflows of Resources</b>	<b>4,877</b>
<b><u>Net Position</u></b>	
Net investment in capital assets	652,757
Unrestricted	(675,031)
<b>Total Net Position</b>	<b>\$ (22,274)</b>

The notes to the financial statements are an integral part of this statement.

**MADISON COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**

**PROPRIETARY FUNDS**

Year Ended June 30, 2017

	Food Service Fund
<b>Operating Revenues:</b>	
Lunchroom sales	\$ 1,072,796
Other operating revenues	7,207
<b>Total Operating Revenues</b>	<b>1,080,003</b>
<b>Operating Expenses:</b>	
Salaries and wages	2,594,354
Materials and supplies	3,181,859
Depreciation	207,699
Other operating expenses	106,717
<b>Total Operating Expenses</b>	<b>6,090,629</b>
Operating loss	(5,010,626)
<b>Non-Operating Revenues (Expenses):</b>	
Federal grants	5,023,846
Donated commodities	368,491
State on-behalf payments	385,465
State grants	58,384
Interest income	13,661
<b>Total Non-Operating Revenues (Expenses)</b>	<b>5,849,847</b>
Changes in net position	839,221
<b>Net Position, July 1, 2016</b>	<b>(861,495)</b>
<b>Net Position June 30, 2017</b>	<b>\$ (22,274)</b>

The notes to the financial statements are an integral part of this statement.

**MADISON COUNTY SCHOOL DISTRICT****STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS**

Year Ended June 30, 2017

	Food Service Fund
<b>Cash Flows from Operating Activities</b>	
Cash received from:	
Lunchroom sales	\$ 1,075,034
Other activities	7,207
Cash paid to/for:	
Employees	2,410,505
Supplies	2,830,240
Other activities	106,717
<b>Net Cash Used by Operating Activities</b>	<u>(4,265,221)</u>
<b>Cash flows from Non-Capital Financing Activities</b>	
Federal grants	5,020,339
State grants	58,384
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u>5,078,723</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of capital assets	(154,095)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(154,095)</u>
<b>Cash Flows from Investing Activities</b>	
Receipt of interest income	13,661
<b>Net Cash Provided by Investing Financing Activities</b>	<u>13,661</u>
Net increase in cash and cash equivalents	673,068
<b>Balances, beginning of year</b>	<u>1,232,660</u>
<b>Balances, end of year</b>	<u><u>\$ 1,905,728</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (5,010,626)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	207,699
State on-behalf payments	385,465
Donated commodities	368,491
GASB 68 pension expense	(201,616)
Change in assets and liabilities:	
Accounts receivable	2,238
Inventory	(35,657)
Accounts payable	18,785
<b>Net cash used by operating activities</b>	<u><u>\$ (4,265,221)</u></u>
<b>Schedule of non-cash transactions:</b>	
Donated commodities received from federal government	<u>\$ 368,491</u>
State on-behalf payments	<u>\$ 385,465</u>
CERS Pensions	<u><u>\$ 201,616</u></u>

The notes to the financial statements are an integral part of this statement.

**MADISON COUNTY SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION**

**FIDUCIARY FUNDS**

June 30, 2017

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 861,793
Receivables	<u>3,033</u>
<b>Total Assets</b>	<u><u>\$ 864,826</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 31,479
Due to student groups	<u>833,347</u>
<b>Total Liabilities</b>	<u><u>\$ 864,826</u></u>

The notes to the financial statements are an integral part of this statement.

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

## **MADISON COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2017

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Madison County School District (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

##### **A. REPORTING ENTITY**

The Madison County Board of Education ("Board"), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Madison County School District. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies, which may influence operations and primary accountability for fiscal matters.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component unit reportable within the accompanying financial statements is the Madison County School District Finance Corporation, (the "Corporation"). The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Boosters, Parent-Teacher Associations, etc.

Blended Component Unit - Madison County School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Madison County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

##### **B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

###### **Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds.

## **MADISON COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

#### **Fund Financial Statements**

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

#### **Governmental Funds**

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Funds and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's Governmental Funds:

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2017

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) The District Activity Fund is a Special Revenue Fund type and is used to account for funds received at the school level.
- (D) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (E) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law.

#### Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has one Proprietary Fund.

The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund of the District.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2017

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

##### BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

##### Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

##### Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

## **MADISON COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

##### Revenue Recognition

State Revenue Sources - Revenues from State sources for current operations are primarily from the Support Education Excellence in Kentucky ("SEEK"), administered by the Kentucky Department of Education ("KDE"). The District files reports on average daily attendance ("ADA") student membership with the KDE. The KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting documentation, the KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

Property Taxes - On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

#### **C. BUDGETARY POLICIES**

##### Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget appropriations lapse at year-end.

#### **D. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

#### **E. CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, cash equivalents are considered to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2017

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### F. INVENTORIES

Inventories are valued at cost, which approximates market. The food service fund uses the specific identification method and the general fund uses the first-in, first-out method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

##### G. PREPAID ITEMS

Expenditures for insurance and similar services extending over more than one accounting period are allocated between or among accounting periods in the governmental funds.

##### H. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds. All capital assets greater than \$5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets' life are not. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

##### I. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts are amortized over the life of the bonds while deferred loss on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2017

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### J. COMPENSATED ABSENCES

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

##### K. ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

##### L. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

###### Recently Issued And Adopted Accounting Principles

###### Recently Issued And Adopted Accounting Principles

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement is effective for periods beginning after June 15, 2016. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

In August 2015, the GASB issued Statement 77, *Tax Abatement Disclosures*. This statement is effective for periods beginning after December 15, 2015. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

In December 2015, the GASB issued Statement 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement is effective for periods beginning after December 15, 2015. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

In January 2016, the GASB issued Statement 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement 14*. This statement is effective for periods beginning after June 15, 2016. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2017

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In March 2016, the GASB issued Statement 81, *Irrevocable Split-Interest Agreements*. This statement is effective for periods beginning after December 15, 2016. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

##### Recently Issued Accounting Pronouncements

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2016, the GASB issued Statement 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 72*. This statement is effective for periods beginning after June 15, 2016 except for the requirements of the Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In November 2016, the GASB issued Statement 83, *Certain Asset Retirement Obligations*. This statement is effective for periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. This statement is effective for periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. This statement is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In May 2017, the GASB issued Statement 86, *Certain Debt Extinguishment Issues*. This statement is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2017, the GASB issued Statement 87, *Leases*. This statement is effective for periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2017

#### NOTE 2 – PROPERTY TAXES

Property Tax Revenues – Property taxes are normally levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund. The usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property.

The property tax rates assessed for the year ended June 30, 2017, to finance operations were \$.618 per \$100 valuation for real property, \$.618 per \$100 valuation for business personal property and \$.558 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

#### NOTE 3 – DEPOSITS AND INVESTMENTS

##### Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2017, \$924,510 of the District's bank balance of \$10,346,569 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

##### Investments

As of June 30, 2017, the District had the following investments and maturities:

	<u>Fair Value</u>	<u>Average Credit Quality/Ratings (1)</u>	<u>Less Than 1</u>
Money Market Mutual Funds	\$21,099,436	AAAm	\$21,099,436

(1) Ratings are provided where applicable to indicate associated *Credit Risk*. N/A indicates not applicable. Ratings are from Standard & Poor's.

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the District's investing activities are under the custody of the District Finance Director. Investing policies comply with State Statutes. Kentucky Revised Statute 66.480 defines the following items as permissible investments:

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2017

#### NOTE 3 – DEPOSITS AND INVESTMENTS – CONTINUED

- Obligations of the United States and of its agencies and instrumentalities;
- Obligations of any corporation of the United States Government;
- Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency;
- Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4)
- Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- Commercial paper rated in the highest category by a nationally recognized rating agency;
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and
- Shares of mutual funds, each of which shall have the following characteristics: 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended; 2. The management company of the investment company shall have been in operation for at least five (5) years; and 3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. **Custodial Credit Risk** is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. No investments are reported at amortized cost. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is a level 1 input.

#### NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Technology Match	\$ 219,748
General	Nonmajor Governmental	Athletics	40,000
General	Construction	Construction	1,400,000
Special Revenue	General	Construction	81,799
Special Revenue	General	Indirect Costs	4,551
Nonmajor Governmental	Construction	Construction	5,171,945
Nonmajor Governmental	Nonmajor Governmental	Debt Service	8,907,054
			<u>\$ 15,825,097</u>

The general fund owed the special revenue fund \$330 for purchases.

**MADISON COUNTY SCHOOL DISTRICT**
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2017

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

Governmental Activities	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital Assets Not Being Depreciated:				
Land	\$ 3,841,887	\$ -	\$ -	\$ 3,841,887
Construction in progress	11,497,075	4,560,513	(98,474)	15,959,114
Total Capital Assets Not Being Depreciated	15,338,962	4,560,513	(98,474)	19,801,001
Capital Assets Being Depreciated:				
Land improvements	3,857,751			3,857,751
Buildings and improvements	209,010,440	127,581		209,138,021
Technology equipment	6,279,729	17,661	(620,147)	5,677,243
Vehicles	16,916,192	976,040	(143,373)	17,748,859
General equipment	4,476,904	356,135	(49,553)	4,783,486
Total Capital Assets Being Depreciated at Historical Cost	240,541,016	1,477,417	(813,073)	241,205,360
Less Accumulated Depreciation For:				
Land improvements	3,630,882	65,500		3,696,382
Buildings and improvements	52,266,586	3,716,901		55,983,487
Technology equipment	6,050,471	109,351	(620,137)	5,539,685
Vehicles	12,154,012	917,677	(138,212)	12,933,477
General equipment	3,030,869	323,433	(48,253)	3,306,049
Total accumulated depreciation	77,132,820	5,132,862	(806,602)	81,459,080
Total Other Capital Assets, net	163,408,196	(3,655,445)	(6,471)	159,746,280
Governmental Activities Capital Assets - Net	<u>\$ 178,747,158</u>	<u>\$ 905,068</u>	<u>\$ (104,945)</u>	<u>\$ 179,547,281</u>
Business-Type Activities				
Capital Assets Being Depreciated:				
Technology equipment	\$ 26,197	\$ -	\$ -	\$ 26,197
Food service equipment	3,422,093	154,095		3,576,188
Totals at historical cost	3,448,290	154,095	-	3,602,385
Less Accumulated Depreciation For:				
Technology equipment	25,449	453		25,902
Food service equipment	2,716,480	207,246		2,923,726
Total accumulated depreciation	2,741,929	207,699	-	2,949,628
Business-Type Activities Capital Assets - Net	<u>\$ 706,361</u>	<u>\$ (53,604)</u>	<u>\$ -</u>	<u>\$ 652,757</u>

Depreciation was charged to governmental functions as follows:

Instruction	\$ 3,976,808
Student support	18,844
Instructional staff	10,749
District administration	49,745
School administration	15,576
Business support	3,411
Plant	141,193
Transportation	916,536
	<u>\$ 5,132,862</u>

# MADISON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

### NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District purchases commercial insurance. The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### NOTE 7 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2017, is as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds Payable:</b>					
Revenue bonds	\$ 107,265,000	\$ 27,790,000	\$ (33,255,000)	\$ 101,800,000	\$ 6,820,000
Discounts and Premiums	(169,453)	889,548	(65,405)	654,690	
Total Bonds Payable	107,095,547	28,679,548	(33,320,405)	102,454,690	6,820,000
<b>Other Liabilities:</b>					
KSBIT	613,952		(236,946)	377,006	94,252
Compensated absences	990,709	64,090	(192,646)	862,153	250,000
Total Other Liabilities	1,604,661	64,090	(429,592)	1,239,159	344,252
Total Governmental Activities Long-Term Liabilities	<u>\$ 108,700,208</u>	<u>\$ 28,743,638</u>	<u>\$ (33,749,997)</u>	<u>\$ 103,693,849</u>	<u>\$ 7,164,252</u>

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and FSPK funds. The general fund is primarily responsible for paying compensated absences and KSBIT.

#### Bond Liabilities

The original amount of each issue, the issue date, and interest rates are summarized below:

Issue Date	Proceeds	Rate	Issue Date	Proceeds	Rate
2009R	\$ 2,475,000	1.00% - 3.00%	2014R	\$ 10,795,000	2.00% - 3.00%
2010R	10,295,000	0.40% - 2.50%	2015	9,365,000	2.00% - 3.00%
2011	4,040,000	1.00% - 4.375%	2016R	24,900,000	2.25% - 5.00%
2013R	13,500,000	2.00% - 2.375%	2016RB	27,790,000	2.00% - 2.125%
2014	10,495,000	2.00% - 3.625%			

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

#### NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Madison County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has “participation agreements” with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

On August 23, 2016, the District issued \$27,790,000 in Refunding Revenue Bonds with an average interest rate of 1.99 percent to advance refund \$26,375,000 of outstanding 2008 and 2009 Series Bonds. The refunding was a partial advance refunding. The net proceeds of \$28,516,970 (after \$160,160 in cost of issuance, \$889,548 in bond premium and \$2,418 in excess cash which was deposited in the bond payment fund) were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to call the bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,141,970. This difference, reported in the accompanying government-wide financial statements as a deferred outflow of resources, is being charged to operations through the year 2029 using the straight-line method.

The District completed the refunding to reduce its total debt service payments over the next 12 years by \$3,530,383 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2,998,760.

The amount of defeased debt outstanding at June 30, 2017 is \$26,375,000.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2017, for debt service (principal and interest) are as follows:

Year	Principal	Interest	KSFCC Participation	District's Portion
2018	\$ 6,820,000	\$ 2,927,076	\$ 733,271	\$ 9,013,805
2019	6,995,000	2,725,561	698,331	9,022,230
2020	7,095,000	2,529,304	611,511	9,012,793
2021	7,295,000	2,327,052	611,511	9,010,541
2022	7,520,000	2,099,664	611,512	9,008,152
2023-2027	39,555,000	7,030,486	2,900,278	43,685,208
2028-2032	20,950,000	2,292,795	1,776,050	21,466,745
2033-2036	5,570,000	365,806	978,843	4,956,963
	<u>\$ 101,800,000</u>	<u>\$ 22,297,744</u>	<u>\$ 8,921,307</u>	<u>\$ 115,176,437</u>

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

#### NOTE 8 – PENSION PLANS

##### Plan Descriptions

The Madison County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at [www.ktrs.ky.gov](http://www.ktrs.ky.gov). CERS' report may be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

##### Benefits Provided

###### *For Members Before July 1, 2008:*

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to two percent (2%) of their final average salary for each year of service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

#### NOTE 8 – PENSION PLANS – CONTINUED

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of final average salary for years of credited service greater than 30 years.

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) two percent (2.0%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

#### *Other Benefits:*

The System provides post-employment medical benefits to retirees. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

#### Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2017, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2017.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

#### NOTE 8 – PENSION PLANS – CONTINUED

##### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was \$420,273,287.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the District's proportion was 0 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$34,238,357 and revenue of \$34,238,357 (\$6,915,230 in the governmental funds and an additional \$27,323,127 in government-wide activities) for support provided by the State. At June 30, 2017, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

##### Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50 percent
Salary increases	4.00 – 8.20 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a set back of 1 year for females. The results of the experience study for the period July 1, 2010 - June 30, 2015 will be reflected in the June 30, 2016 valuation and the June 30, 2017 GASB 67 report.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study prepared as of June 30, 2015, submitted to and adopted by the Board on September 19, 2016.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

# MADISON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

### NOTE 8 – PENSION PLANS – CONTINUED

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45%	6.4%
Non U.S. Equity	17%	6.5%
Fixed Income	24%	1.6%
High Yield Bonds	4%	3.1%
Real Estate	4%	5.8%
Alternatives	4%	6.8%
Cash	2%	1.5%
Total	100%	

#### Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 4.20%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2040 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate (SEIR). Therefore, the long-term expected rate of return of 7.50% on Plan investments was applied to periods through 2039 and the Municipal Bond Index Rate of 3.01% was applied to periods after 2039, resulting in an SEIR of 4.20%. The TPL used last year was determined using a discount rate equal to 4.88%, which was based on a municipal bond index rate of 3.82%. These two amounts are rolled forward to June 30, 2016 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the assumed interest rate (SEIR) for the year. The difference between the two roll-forward amounts as of June 30, 2016 is the gain or loss due to changes in assumptions and other inputs. In addition, we have determined an expected TPL as of June 30, 2016 based on the TPL roll-forward in the June 30, 2015 GASB 67 report. The difference between this amount and the roll-forward of the actual TPL based on the 4.88% interest rate is reflected as an experience gain or loss for the year.

#### Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The District has no proportional share of the net pension liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 4.20 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.20 percent) or 1-percentage-point higher (5.20 percent) than the current rate:

	1% Decrease (3.20%)	Current Discount Rate (4.20%)	1% Increase (5.20%)
System's net pension liability (in thousands)	\$ 37,937,230	\$ 30,924,069	\$ 25,168,197

## **MADISON COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2017

#### **NOTE 8 – PENSION PLANS – CONTINUED**

##### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued TRS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

##### ***Medical Insurance Plan***

##### Plan Description

In addition to the pension benefits described above, KRS 161.675 requires TRS to provide postretirement healthcare benefits to eligible members and dependents. The TRS medical insurance benefit is a cost-sharing, multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired for service or disability. The TRS medical insurance fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

##### Contributions

The post-employment medical benefit provided by TRS is financed on a pre-funded basis beginning July 1, 2010 with the implementation of the "Shared Responsibility" legislation. In order to fund medical benefits, active member contributions are matched by the state at .75% of members' gross salaries. Beginning July 1, 2010 member contributions to the TRS medical plan increased incrementally to 3.75% on July 1, 2015 under the Shared Responsibility Plan. Also, the premiums collected from retirees and investment income contributes to funding the plan.

#### **CERS**

##### Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2014, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

#### NOTE 8 – PENSION PLANS – CONTINUED

##### Contributions

For the fiscal year ended June 30, 2017, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2017, was 13.95 percent of annual creditable compensation. Contributions to the pension plan from the District were \$1,849,110.

##### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$26,256,386 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.533274 percent which was a decrease of .001354 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$3,590,200. At June 30, 2017, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 114,629	\$ -
Changes in actuarial assumptions	1,390,923	-
Difference between projected and actual investment earnings	2,468,368	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	42,051	36,283
Contributions paid to CERS subsequent to the measurement date	1,849,110	-
	<u>\$ 5,865,081</u>	<u>\$ 36,283</u>

The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$1,849,110 will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

#### NOTE 8 – PENSION PLANS – CONTINUED

Year Ending June 30	Pension Expense Amount
2018	\$ 1,477,804
2019	989,247
2020	963,565
2021	549,072
	<u>\$ 3,979,688</u>

#### Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	4.0 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the Systems. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

# MADISON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

### NOTE 8 – PENSION PLANS – CONTINUED

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash	2%	-0.25%
Total	100%	

#### Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.5%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2117. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CERS Comprehensive Annual Financial Report.

#### Sensitivity Of The District's Proportionate Share Of The Net Pension Liability To Changes In The Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 32,719,696	\$ 26,256,386	\$ 20,716,024

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

#### NOTE 8 – PENSION PLANS – CONTINUED

##### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued CERS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	10	0%
15-19	7	25%
10-14	5	50%
4-9	2	75%
Less than 4	0	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

The District is required to contribute at an actuarially determined rate. As of June 30, 2017, 2016, and 2015, the District's required contribution rate was 4.73%, 4.64%, and 4.92%, respectively, of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the Kentucky Retirement Systems Board of Trustees. Contributions to the Insurance Fund from the District were \$626,974, \$603,550 and \$632,317 for the years ended June 30, 2017, 2016 and 2015.

#### DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

## **MADISON COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2017

#### **NOTE 9 – FUND BALANCES**

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2017, there were no nonspendable fund balances.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2017, the District had \$261,443 restricted for grants in the special revenue fund, \$10,350 restricted for capital projects in the SEEK Capital Outlay Fund, \$81,683 restricted for capital projects in the FSPK Fund and \$6,797,029 restricted for capital projects in the Construction Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2017 in the General Fund - \$363,896 for compensated absences, \$7,858,519 for capital projects, \$475,000 for personnel and \$1,112,148 for buses and \$435,685 for school activities in the District Activity Fund.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The District had \$1,189,938 of assignments related to encumbrances recorded in the General Fund and \$16,647 related to encumbrances in the District Activity Fund. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The District had the additional assignments at June 30, 2017, in the General Fund of \$511,692 for SBDM carryforward.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

#### **NOTE 10 – COMMITMENTS AND CONTINGENCIES**

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

## MADISON COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

#### NOTE 10 – COMMITMENTS AND CONTINGENCIES – CONTINUED

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the basic financial statements as a result of the cases presently in progress. Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss.

The District also has construction commitments for on-going projects at June 30, 2017.

#### NOTE 11 – DEFICIT OPERATING BALANCES

The Food Service Fund had a deficit net position at June 30, 2017 in the amount of \$22,274. The deficit net position is a result of the recording of the net pension liability for CERS as part of GASB Statement 68. The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

Special Revenue Fund	\$ 448,713
SEEK Capital. Outlay Fund	1,036,974
FSPK Building Fund	1,243,065

#### NOTE 12 – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2017 were as follows:

Health	\$ 10,578,789
Life	17,933
Admin	143,261
HRA	716,384
KTRS	6,915,230
Technology	172,862
Debt Service	776,777
Less: Federal Reimbursement	<u>(466,981)</u>
Total on-behalf	<u>\$ 18,854,255</u>

Recorded as follows:

General Fund	\$ 17,692,013
Food Service Fund	385,465
Debt Service Fund	<u>776,777</u>
	<u>\$ 18,854,255</u>

#### NOTE 13 – SUBSEQUENT EVENTS

On July 6, 2017, the District issued \$11,160,000 in School Building Refunding Revenue Bonds at interest rates ranging from 3% to 3.25%.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MADISON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL**

**GENERAL FUND**

Year Ended June 30, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>Revenues:</b>			
From local sources:			
Taxes:			
Property	\$ 20,475,000	\$ 20,963,000	\$ 20,833,794
Motor vehicle	2,825,000	2,900,000	3,008,671
Utilities	5,200,000	5,010,000	4,851,537
Revenue in lieu of taxes	162,000	162,000	162,681
Earnings on investments	25,000	100,000	162,296
Other local revenues	61,500	63,500	266,638
Intergovernmental - State	58,652,572	59,074,471	59,691,496
Intergovernmental - Indirect Federal	460,000	525,549	778,929
Intergovernmental - Direct Federal	115,000	100,000	103,367
<b>Total Revenues</b>	<b>87,976,072</b>	<b>88,898,520</b>	<b>89,859,409</b>
<b>Expenditures:</b>			
Instruction	52,367,074	55,051,172	54,614,166
Support services:			
Student	5,936,835	5,472,507	5,518,086
Instruction staff	4,507,113	4,209,488	3,536,569
District administrative	2,161,074	2,129,496	1,230,905
School administrative	4,867,972	4,403,185	4,442,145
Business	1,654,947	1,672,712	1,730,781
Plant operation and maintenance	8,574,281	8,187,815	8,354,213
Student transportation	8,058,612	7,653,872	7,637,152
Community service activities	21,164	21,280	27,811
Other	6,080,000	6,292,548	
Facilities acquisition and construction	150,000	1,084,018	557,534
<b>Total Expenditures</b>	<b>94,379,072</b>	<b>96,178,093</b>	<b>87,649,362</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>(6,403,000)</b>	<b>(7,279,573)</b>	<b>2,210,047</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from sale of capital assets	3,000	3,000	
Insurance proceeds	5,000	130,850	141,296
Transfers in		80,000	86,350
Transfers out	(300,000)	(300,000)	(1,659,748)
<b>Total Other Financing Sources (Uses)</b>	<b>(292,000)</b>	<b>(86,150)</b>	<b>(1,432,102)</b>
<b>Net Change in Fund Balances</b>	<b>(6,695,000)</b>	<b>(7,365,723)</b>	<b>777,945</b>
<b>Fund Balance, July 1, 2016</b>	<b>6,695,000</b>	<b>7,365,723</b>	<b>17,193,911</b>
<b>Fund Balance, June 30, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,971,856</b>

**MADISON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL**

**SPECIAL REVENUE FUND**

Year Ended June 30, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>Revenues:</b>			
Earnings on investments	\$ -	\$ -	\$ 1,567
Other local revenues	10,300	208,919	192,553
Intergovernmental - State	4,516,269	4,669,146	4,524,840
Intergovernmental - Indirect Federal	5,759,582	6,607,926	6,674,561
<b>Total Revenues</b>	<b>10,286,151</b>	<b>11,485,991</b>	<b>11,393,521</b>
<b>Expenditures:</b>			
Instruction	7,445,609	8,586,613	7,956,014
Support services:			
Student	365,375	648,417	640,976
Instruction staff	1,115,351	1,032,142	1,972,182
Business	20,000	20,000	20,000
Plant operation and maintenance	106,150	29,125	47,751
Student transportation	573,489	362,907	366,143
Community service activities	920,177	966,787	972,566
<b>Total Expenditures</b>	<b>10,546,151</b>	<b>11,645,991</b>	<b>11,975,632</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>(260,000)</b>	<b>(160,000)</b>	<b>(582,111)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	260,000	260,000	219,748
Transfers out		(100,000)	(86,350)
<b>Total Other Financing Sources (Uses)</b>	<b>260,000</b>	<b>160,000</b>	<b>133,398</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>(448,713)</b>
<b>Fund Balance, July 1, 2016</b>	<b>-</b>	<b>-</b>	<b>710,156</b>
<b>Fund Balance, June 30, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 261,443</b>

**MADISON COUNTY SCHOOL DISTRICT****SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY**

June 30, 2017

Last 10 Years \*

	2017	2016	2015
Proportion of the net pension liability	0.533274%	0.534628%	0.531918%
Proportionate share of the net pension liability	\$ 26,256,386	\$ 22,986,474	\$ 17,257,000
Covered - employee payroll	\$ 13,007,551	\$ 12,851,981	\$ 13,045,591
Proportionate share of the net pension liability as percentage of covered payroll	201.9%	178.9%	132.3%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%

\* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

**MADISON COUNTY SCHOOL DISTRICT****SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET PENSION LIABILITY**

June 30, 2017

Last 10 Years \*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	1.4247%	1.3851%	1.3717%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State proportionate share of the net pension liability associated with the District	<u>420,273,287</u>	<u>322,325,327</u>	<u>281,876,971</u>
Total	<u>\$ 420,273,287</u>	<u>\$ 322,325,327</u>	<u>\$ 281,876,971</u>
Covered - employee payroll	\$ 44,382,855	\$ 42,406,680	\$ 41,196,293
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	35.20%	42.50%	45.59%

\* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

**MADISON COUNTY SCHOOL DISTRICT****SCHEDULE OF CONTRIBUTIONS TO CERS**

June 30, 2017

Last 10 Years \*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually require contribution (actuarially determined)	\$ 1,849,110	\$ 1,615,538	\$ 1,589,810
Contribution in relation to the actuarially determined contributions	<u>1,849,110</u>	<u>1,615,538</u>	<u>1,589,810</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 13,255,269	\$ 13,007,551	\$ 12,851,981
Contributions as a percentage of covered employee payroll	13.95%	12.42%	12.37%

\* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

**MADISON COUNTY SCHOOL DISTRICT****SCHEDULE OF CONTRIBUTIONS TO TRS**

June 30, 2017

Last 10 Years \*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 44,835,055	\$ 44,382,855	\$ 42,406,680
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%

\* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

**MADISON COUNTY SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2017**

**CERS**

*Changes of benefit terms.* There were no changes in benefit terms.

*Changes of assumptions.* There were no changes in assumptions.

**TRS**

*Changes of benefit terms.* There were no changes in benefit terms.

*Changes of assumptions.* The following changes in assumptions were made:

*Changes of assumptions.* In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions. Beginning with the 2014 valuation, the interest smoothing methodology is no longer used.

## **SUPPLEMENTARY INFORMATION**

# MADISON COUNTY SCHOOL DISTRICT

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2017

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Assets:</b>					
Cash, cash equivalents and investments	\$ 430,716	\$ 10,350	\$ 67,319	\$ -	\$ 508,385
Receivables:					
Other receivables	21,616		14,583		36,199
<b>Total Assets</b>	<u>\$ 452,332</u>	<u>\$ 10,350</u>	<u>\$ 81,902</u>	<u>\$ -</u>	<u>\$ 544,584</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 219	\$ -	\$ 219
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>219</u>	<u>-</u>	<u>219</u>
<b>Fund Balances</b>					
Restricted		10,350	81,683		92,033
Committed	435,685				435,685
Assigned	16,647				16,647
<b>Total Fund Balances</b>	<u>452,332</u>	<u>10,350</u>	<u>81,683</u>	<u>-</u>	<u>544,365</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 452,332</u>	<u>\$ 10,350</u>	<u>\$ 81,902</u>	<u>\$ -</u>	<u>\$ 544,584</u>

**MADISON COUNTY SCHOOL DISTRICT**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2017

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>					
From local sources:					
Property taxes	\$ -	\$ -	\$ 7,776,846	\$ -	\$ 7,776,846
Other local revenue	573,012				573,012
Earnings on investments	1,771	6,777	9,498		18,046
Intergovernmental - State		1,053,573	3,066,053	776,777	4,896,403
Intergovernmental - Direct federal				103,972	103,972
<b>Total Revenues</b>	<b>574,783</b>	<b>1,060,350</b>	<b>10,852,397</b>	<b>880,749</b>	<b>13,368,279</b>
<b>Expenditures</b>					
Instruction	319,111				319,111
Support services:					
Instruction staff	78,926				78,926
District administrative			113,787		113,787
Student transportation	128,906				128,906
Bond issue costs				160,160	160,160
Debt service:					
Principal				6,880,000	6,880,000
Interest				2,932,530	2,932,530
<b>Total Expenditures</b>	<b>526,943</b>	<b>-</b>	<b>113,787</b>	<b>9,972,690</b>	<b>10,613,420</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>47,840</b>	<b>1,060,350</b>	<b>10,738,610</b>	<b>(9,091,941)</b>	<b>2,754,859</b>
<b>Other Financing Sources (Uses)</b>					
Bond proceeds from refunding bonds				27,790,000	27,790,000
Bond premium				889,548	889,548
Accrued interest on bonds				22,309	22,309
Payments to refunded escrow agent				(28,516,970)	(28,516,970)
Transfers in	40,000			8,907,054	8,947,054
Transfers out		(2,097,324)	(11,981,675)		(14,078,999)
<b>Total Other Financing Sources (Uses)</b>	<b>40,000</b>	<b>(2,097,324)</b>	<b>(11,981,675)</b>	<b>9,091,941</b>	<b>(4,947,058)</b>
<b>Net Change in Fund Balances</b>	<b>87,840</b>	<b>(1,036,974)</b>	<b>(1,243,065)</b>	<b>-</b>	<b>(2,192,199)</b>
<b>Fund balance, July 1, 2016</b>	<b>364,492</b>	<b>1,047,324</b>	<b>1,324,748</b>	<b>-</b>	<b>2,736,564</b>
<b>Fund balance, June 30, 2017</b>	<b>\$ 452,332</b>	<b>\$ 10,350</b>	<b>\$ 81,683</b>	<b>\$ -</b>	<b>\$ 544,365</b>

**MADISON COUNTY SCHOOL DISTRICT**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION**

**AGENCY FUNDS**

June 30, 2017

	Daniel Boone Elementary	Glenn Marshall Elementary	Kingston Elementary	Kirksville Elementary	Kit Carson Elementary	Madison Kindergarten Academy
<b>Assets</b>						
Cash and cash equivalents	\$ 6,642	\$ 8,727	\$ 9,868	\$ 6,858	\$ 8,878	\$ 11,110
Receivables					1	
<b>Total Assets</b>	<u>\$ 6,642</u>	<u>\$ 8,727</u>	<u>\$ 9,868</u>	<u>\$ 6,858</u>	<u>\$ 8,879</u>	<u>\$ 11,110</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 871	\$ 1,950	\$ 60	\$ 1	\$ 2,835
Due to student groups	6,642	7,856	7,918	6,798	8,878	8,275
<b>Total Liabilities</b>	<u>\$ 6,642</u>	<u>\$ 8,727</u>	<u>\$ 9,868</u>	<u>\$ 6,858</u>	<u>\$ 8,879</u>	<u>\$ 11,110</u>
	Shannon Johnson Elementary	Silver Creek Elementary	Waco Elementary	White Hall Elementary	B. Michael Caudill Middle School	Clark-Moores Middle School
<b>Assets</b>						
Cash and cash equivalents	\$ 11,268	\$ 28,389	\$ 8,271	\$ 12,690	\$ 38,099	\$ 85,845
Receivables				28	-	
<b>Total Assets</b>	<u>\$ 11,268</u>	<u>\$ 28,389</u>	<u>\$ 8,271</u>	<u>\$ 12,718</u>	<u>\$ 38,099</u>	<u>\$ 85,845</u>
<b>Liabilities</b>						
Accounts payable	\$ 1,069		\$ 2,972	\$ 3	\$ 8,582	\$ 1,800
Due to student groups	10,199	28,389	5,299	12,715	29,517	84,045
<b>Total Liabilities</b>	<u>\$ 11,268</u>	<u>\$ 28,389</u>	<u>\$ 8,271</u>	<u>\$ 12,718</u>	<u>\$ 38,099</u>	<u>\$ 85,845</u>
	Farristown Middle School	Foley Middle School	Madison Middle School	Madison Central High School	Madison Southern High School	Total Agency Fund
<b>Assets</b>						
Cash and cash equivalents	\$ 66,362	\$ 31,462	\$ 32,098	\$ 349,791	\$ 145,435	\$ 861,793
Receivables		2		111	2,891	3,033
<b>Total Assets</b>	<u>\$ 66,362</u>	<u>\$ 31,464</u>	<u>\$ 32,098</u>	<u>\$ 349,902</u>	<u>\$ 148,326</u>	<u>\$ 864,826</u>
<b>Liabilities</b>						
Accounts payable	\$ 4,230	\$ -	\$ -	\$ 111	\$ 6,995	\$ 31,479
Due to student groups	62,132	31,464	32,098	349,791	141,331	833,347
<b>Total Liabilities</b>	<u>\$ 66,362</u>	<u>\$ 31,464</u>	<u>\$ 32,098</u>	<u>\$ 349,902</u>	<u>\$ 148,326</u>	<u>\$ 864,826</u>

**MADISON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES**

**AGENCY FUNDS**

**YEAR ENDED JUNE 30, 2017**

<b>SCHOOL</b>	<b>CASH BALANCES July 1, 2016</b>	<b>RECEIPTS</b>	<b>DISBURSE- MENTS</b>	<b>CASH BALANCES June 30, 2017</b>	<b>RECEIVABLES June 30, 2017</b>	<b>PAYABLES June 30, 2017</b>	<b>DUE TO STUDENT GROUPS June 30, 2017</b>
Daniel Boone Elementary	\$ 7,770	\$ 26,637	\$ 27,765	\$ 6,642	\$ -	\$ -	\$ 6,642
Glenn Marshall Elementary	12,826	50,866	54,965	8,727	-	871	7,856
Kingston Elementary	11,821	52,287	54,240	9,868	-	1,950	7,918
Kirksville Elementary	5,415	27,159	25,716	6,858	-	60	6,798
Kit Carson Elementary	12,464	31,802	35,388	8,878	1	1	8,878
Madison Kindergarten Academy	10,309	58,578	57,777	11,110	-	2,835	8,275
Shannon Johnson Elementary	8,388	63,969	61,089	11,268	-	1,069	10,199
Silver Creek Elementary	28,380	38,463	38,454	28,389	-	-	28,389
Waco Elementary	6,374	46,297	44,400	8,271	-	2,972	5,299
White Hall Elementary	11,730	70,585	69,625	12,690	28	3	12,715
B. Michael Caudill Middle	40,517	232,952	235,370	38,099	-	8,582	29,517
Clark-Moores Middle	85,283	232,872	232,310	85,845	-	1,800	84,045
Farristown Middle	63,585	241,773	238,996	66,362	-	4,230	62,132
Foley Middle	28,107	120,884	117,529	31,462	2	-	31,464
Madison Middle	27,695	150,352	145,949	32,098	-	-	32,098
Madison Central High	278,650	927,940	856,799	349,791	111	111	349,791
Madison Southern High	121,564	458,282	434,411	145,435	2,891	6,995	141,331
	<u>\$ 760,878</u>	<u>\$2,831,698</u>	<u>\$ 2,730,783</u>	<u>\$ 861,793</u>	<u>\$ 3,033</u>	<u>\$ 31,479</u>	<u>\$ 833,347</u>

MADISON COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

MADISON CENTRAL HIGH SCHOOL

YEAR ENDED JUNE 30, 2017

NAME OF ACTIVITY	CASH BALANCES July 1, 2016	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2017	RECEIVABLES June 30, 2017	PAYABLES June 30, 2017	DUE TO STUDENT GROUPS June 30, 2017
General Fund	\$ 88,287	\$ 1,044	\$ 3,688	\$ 85,643	\$ -	\$ -	\$ 85,643
Parking Stickers	400	-	400	-	-	-	-
Pass Program	271	2,900	868	2,303	-	-	2,303
Lost textbooks	-	1,455	117	1,338	-	-	1,338
Interest	21	-	21	-	-	-	-
Fac-Staff Retirement Fund	1,805	1,400	1,116	2,089	-	-	2,089
Vending-Staff Drinks	-	1,316	1,263	53	-	-	53
Vending-Staff Snacks	51	274	269	56	-	-	56
Vending- Student Drinks	-	1,710	1,490	220	-	-	220
Vending- Student Snacks	176	1,170	1,253	93	-	-	93
Home Economics	-	690	690	-	-	-	-
Freshman Academy	750	4,975	4,344	1,381	-	-	1,381
Library Activities	1,039	1,631	1,235	1,435	-	-	1,435
Staffulty Unity Club	2,860	1,230	1,850	2,240	-	-	2,240
The Tribe	2,324	2,044	2,657	1,711	-	-	1,711
Archery	-	500	500	-	-	-	-
Misc. Athletics	3,365	26,820	30,097	88	-	-	88
Advertisement-Athletics	14,514	30,611	28,245	16,880	-	-	16,880
Uniform Replacement	5,468	11,875	-	17,343	-	-	17,343
Gate receipts	-	63,895	63,830	65	-	-	65
Baseball	-	5,400	5,400	-	-	-	-
Baseball Club	8,611	24,813	20,861	12,563	-	-	12,563
World Archery Acct	5,339	21,121	18,119	8,341	-	-	8,341
Bowling team	-	2,313	2,313	-	-	-	-
Boys basketball	-	13,375	13,375	-	-	-	-
Boys basketball club	5,888	19,676	16,832	8,732	-	-	8,732
District/ Regional	-	-	-	-	-	-	-
Girls Basketball	-	9,500	9,432	68	-	-	68
G/Basketball Club	7,856	14,939	15,286	7,509	-	-	7,509
Bowling Club	-	1,402	1,402	-	-	-	-
Cheer club	3,621	56,597	60,120	98	-	-	98
Cheerleader trip	-	55,194	49,053	6,141	-	111	6,030
Concession	-	24,748	22,275	2,473	-	-	2,473
Cross country, boys	-	998	921	77	-	-	77
Cross country, girls	-	998	921	77	-	-	77
B/G Cross Cty Club	-	10,682	5,324	5,358	-	-	5,358
Dance uniform replacement	530	1,408	1,938	-	-	-	-
Var Dance club	-	94,245	80,298	13,947	-	-	13,947
Dance-nationals	1,489	3,850	5,339	-	-	-	-
Bass anglers	10,318	10,866	8,409	12,775	-	-	12,775
Football	-	11,817	7,770	4,047	-	-	4,047
Football Club	12,566	40,206	42,591	10,181	-	-	10,181
Football Special Projects	2,845	17,811	8,930	11,726	-	-	11,726
Boys golf	-	2,336	2,336	-	-	-	-
Boys golf club	3,244	11,530	11,829	2,945	-	-	2,945
Girls Golf	-	1,729	1,729	-	-	-	-
Girls Golf Club	-	-	-	-	-	-	-
Homecoming	1,449	1,425	2,874	-	-	-	-
Boys Soccer	-	6,808	6,808	-	-	-	-
Girls Soccer	-	4,996	4,996	-	-	-	-
Girls Soccer Club	4,672	18,531	14,504	8,699	-	-	8,699
Softball travel	3,000	-	-	3,000	-	-	3,000
Step Team	-	-	-	-	-	-	-
Softball	-	5,580	5,580	-	-	-	-
Softball Club	2,698	20,847	12,205	11,340	-	-	11,340
Swimming	-	5,141	5,141	-	-	-	-
Swimming Club	-	7,200	7,200	-	-	-	-
Tennis	-	1,000	1,000	-	-	-	-
Tennis Club	236	3,433	3,669	-	-	-	-
Tournaments	893	14,047	14,878	62	-	-	62

**MADISON COUNTY SCHOOL DISTRICT**
**SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES**
**MADISON CENTRAL HIGH SCHOOL**
**YEAR ENDED JUNE 30, 2017**

NAME OF ACTIVITY	CASH BALANCES July 1, 2016	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2017	RECEIVABLES June 30, 2017	PAYABLES June 30, 2017	DUE TO STUDENT GROUPS June 30, 2017
Wrestling	\$ -	\$ 2,500	\$ 1,995	\$ 505	\$ -	\$ -	\$ 505
Boys Track	-	1,067	1,067	-	-	-	-
Boys Track Club	-	8,391	5,568	2,823	-	-	2,823
Girls Track	-	1,067	1,067	-	-	-	-
Girls Track Club	-	-	-	-	-	-	-
Volleyball	-	7,910	7,910	-	-	-	-
Volleyball Club	-	13,453	10,206	3,247	-	-	3,247
Archery Club	747	22,699	21,473	1,973	-	-	1,973
Academic Team	263	1,232	1,202	293	-	-	293
Art Club	61	-	-	61	-	-	61
Culinary Skills Class	36	356	252	140	-	-	140
Choral Music	11,885	62,452	65,300	9,037	-	-	9,037
Dabs	441	415	768	88	-	-	88
Book Club	1,225	768	691	1,302	-	-	1,302
Thrift Store/Green Club	585	-	585	-	-	-	-
Drama Club	506	2,044	1,763	787	-	-	787
FCA	-	-	-	-	-	-	-
FFA Club	11,500	15,055	15,420	11,135	-	-	11,135
FCCLA	1,622	84	1,173	533	-	-	533
French Club	185	489	573	101	-	-	101
Broadcast Journalism	938	-	79	859	-	-	859
Success Workstudy	637	8	93	552	-	-	552
JROTC	1,887	13,525	12,915	2,497	-	-	2,497
Junior Class	13,679	23,768	18,567	18,880	-	-	18,880
Latin Club	248	29,249	29,438	59	-	-	59
Project Santa	1,913	5,330	2,289	4,954	-	-	4,954
Musical Theatre	14,660	35,819	46,987	3,492	-	-	3,492
National Honor Society	76	1,720	1,636	160	-	-	160
First Priority	468	-	76	392	-	-	392
Pep Club	430	929	1,074	285	-	-	285
Science Club	147	150	297	-	-	-	-
Science Olympiad	785	14,724	13,462	2,047	-	-	2,047
Dungeons and Dragons	68	-	-	68	-	-	68
Teen Task Force	14	789	508	295	-	-	295
Sophomore Class	3,620	6,685	6,338	3,967	-	-	3,967
Tomahawk Club	89	-	89	-	-	-	-
Soul	347	600	946	1	-	-	1
Spanish Club	1,138	1,179	951	1,366	-	-	1,366
Spanish Honor Society	174	-	-	174	-	-	174
Tammy Hooper Scholarship	-	2,027	657	1,370	-	-	1,370
Terry L Wells Interest	4,019	-	-	4,019	-	-	4,019
Together As One	63	664	398	329	-	-	329
Yearbook	237	11,521	11,205	553	-	-	553
Math Club	77	-	20	57	-	-	57
Senior Class	70	1,510	1,349	231	-	-	231
Technology Student Assoc.	36	175	160	51	-	-	51
Mock Trial	-	-	-	-	-	-	-
The H.O.O.D.	20	-	-	20	-	-	20
Express Yourself Clearly	1,433	230	904	759	-	-	759
Tribal Threads	654	6,125	6,605	174	-	-	174
Rotary Interact Club	170	65	221	14	-	-	14
CIA	1,794	225	621	1,398	-	-	1,398
Key Club	10	1,791	1,782	19	-	-	19
STLP	60	84	96	48	-	-	48
Young Republican Club	140	105	-	245	-	-	245
TERRA	-	320	110	210	-	-	210
Indian Princess	4	-	4	-	-	-	-
Recording Arts Club	2,031	91	1,157	965	-	-	965
Young Democrats	70	-	48	22	-	-	22
Piano Lab	349	-	-	349	-	-	349

MADISON COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

MADISON CENTRAL HIGH SCHOOL

YEAR ENDED JUNE 30, 2017

NAME OF ACTIVITY	CASH BALANCES July 1, 2016	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2017	RECEIVABLES June 30, 2017	PAYABLES June 30, 2017	DUE TO STUDENT GROUPS June 30, 2017
AAMMP	\$ 304	\$ 40	\$ 339	\$ 5	\$ -	\$ -	\$ 5
Monday Morning Men	130	20	-	150	-	-	150
GSA	-	90	-	90	-	-	90
MCHS Dance Blue	-	5,297	1,830	3,467	111	-	3,578
General-Dist Activity	19	57,632	57,575	76	-	-	76
Library-Dist Activity	-	-	-	-	-	-	-
Athletic-Dist Activity	-	-	-	-	-	-	-
Field Trip-Dist Activity	-	-	-	-	-	-	-
Sub Total	278,650	1,064,571	993,430	349,791	111	111	349,791
Interfund Transfers	-	136,631	136,631	-	-	-	-
TOTAL	<u>\$ 278,650</u>	<u>\$ 927,940</u>	<u>\$ 856,799</u>	<u>\$ 349,791</u>	<u>\$ 111</u>	<u>\$ 111</u>	<u>\$ 349,791</u>

**MADISON COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES**  
**MADISON SOUTHERN HIGH SCHOOL**  
**YEAR ENDED JUNE 30, 2017**

NAME OF ACTIVITY	CASH BALANCES July 1, 2016	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2017	RECEIVABLES June 30, 2017	PAYABLES June 30, 2017	DUE TO STUDENT GROUPS June 30, 2017
Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	107	18	-	125	-	-	125
Parking	-	-	-	-	-	-	-
Photography	-	-	-	-	-	-	-
General	8,071	50	1,326	6,795	-	900	5,895
Vending Teachers	1,039	959	-	1,998	-	-	1,998
Workroom Vending	545	3,871	-	4,416	-	-	4,416
Textbooks	-	-	-	-	-	-	-
Hospitality	422	148	469	101	-	-	101
Charities	18	1,105	1,068	55	-	-	55
Eagle Nest	1,953	457	698	1,712	-	-	1,712
MS Historical Club	353	-	353	-	-	-	-
Renaissance	1,751	3,332	1,204	3,879	-	-	3,879
Academic Team	219	75	235	59	-	-	59
Business	1,627	9,136	7,279	3,484	-	-	3,484
Beta Club	2,002	-	981	1,021	-	-	1,021
HOSA Club	78	-	-	78	-	-	78
AAHC	68	-	-	68	-	-	68
Envirothon Club	794	182	633	343	-	-	343
Drama Club	2,419	13,333	14,513	1,239	-	-	1,239
FCA	752	30	599	183	-	-	183
FFA Grant	-	-	-	-	-	-	-
FFA	5,087	23,921	20,838	8,170	-	-	8,170
FCCLA	2,934	7,892	8,552	2,274	-	-	2,274
Freshman Class	272	95	91	276	-	-	276
MAD SWIGS	92	-	-	92	-	-	92
Senior Class	417	2,440	2,693	164	-	90	74
Junior Class	-	-	-	-	-	-	-
Sophomore Class	-	-	-	-	-	-	-
Newspaper	5,097	1,090	2,145	4,042	-	-	4,042
KEY Club	5	-	-	5	-	-	5
Pep Club	19	701	720	-	-	-	-
Youth Service Center	286	255	45	496	-	-	496
Science Club	-	-	-	-	-	-	-
Spanish Club	573	900	900	573	-	-	573
Science Olympiad	39	210	249	-	-	-	-
TSA	2,734	5,054	2,637	5,151	-	-	5,151
Homecoming	-	3,243	3,167	76	-	-	76
Yearbook	12,234	5,710	5,842	12,102	-	-	12,102
Tri-M Honor Music Society	595	275	155	715	-	-	715
Student Council	403	502	599	306	-	-	306
Aquaculture	-	-	-	-	-	-	-
AFJROTC	8,413	17,431	21,158	4,686	-	-	4,686
Prom	15,609	18,072	14,174	19,507	-	-	19,507
Travel Club	10	-	-	10	-	-	10
Athletic Department	10,708	79,623	73,966	16,365	-	-	16,365
Letter Jackets	-	10,776	10,001	775	-	-	775
Athletic Buses	-	-	-	-	-	-	-
Athletic Uniforms	-	-	-	-	-	-	-
Brick Pavers	6,980	-	2,482	4,498	-	-	4,498
Archery	2,483	45,446	38,227	9,702	-	-	9,702
Region Tournament	-	-	-	-	-	-	-
District Tournaments	-	-	-	-	-	-	-
State Tournament	-	-	-	-	-	-	-
Baseball, Boys	-	1,493	255	1,238	-	-	1,238
Softball, Girls	15	-	-	15	-	-	15
Basketball, Boys	690	-	121	569	-	-	569
Basketball, Girls	733	-	273	460	-	-	460
Bass Team	1,064	4,425	1,434	4,055	-	-	4,055
Bowling	74	1,338	606	806	-	-	806
Football	1,403	2,500	2,583	1,320	-	-	1,320
Soccer, Boys	65	-	-	65	-	-	65
Soccer, Girls	90	-	-	90	-	-	90
Swim Team	-	-	-	-	-	-	-
Track, Boys	513	-	500	13	-	-	13
Track, Girls	-	-	-	-	-	-	-
Cross Country	-	646	478	168	-	-	168

MADISON COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

MADISON SOUTHERN HIGH SCHOOL

YEAR ENDED JUNE 30, 2017

NAME OF ACTIVITY	CASH BALANCES July 1, 2016	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2017	RECEIVABLES June 30, 2017	PAYABLES June 30, 2017	DUE TO STUDENT GROUPS June 30, 2017
Tennis	98	3,569	3,616	51	-	-	51
Cheerleaders	-	3,809	3,760	49	-	-	49
Southern Belles	111	-	77	34	-	-	34
Golf, Boys	250	2,643	2,722	171	-	-	171
Golf, Girls	382	308	644	46	-	-	46
Volleyball	-	93	93	-	-	-	-
Wrestling	-	650	650	-	-	-	-
Art Club	601	140	459	282	-	-	282
Band	294	-	-	294	-	-	294
Techno Club	899	177	26	1,050	-	-	1,050
FMD Program	694	1,115	1,267	542	-	-	542
Greenhouse	5,001	3,874	3,874	5,001	-	-	5,001
Culinary Catering	130	1,450	733	847	-	-	847
Library	17	21	-	38	-	-	38
Vo. Ag. Dept	475	-	371	104	-	-	104
Vocal Music	129	35,376	30,837	4,668	-	-	4,668
AFJROTC Dept	946	-	946	-	-	-	-
Eagle Graphics	6,383	5,383	8,792	2,974	-	-	2,974
Mock Trial Team	-	-	-	-	-	-	-
Auditorium Rent	-	-	-	-	-	-	-
AFJROTC Logistical Support	(1,584)	6,250	5,727	(1,061)	2,891	-	1,830
Void	-	-	-	-	-	-	-
General - Dist Activity	238	69,304	63,542	6,000	-	6,000	-
Library- Dist Activity	-	2,697	2,692	5	-	5	-
Athletic- Dist Activity	4,645	72,100	76,745	-	-	-	-
Field Trip- Dist Activity	-	-	-	-	-	-	-
Sub Total	121,564	475,693	451,822	145,435	2,891	6,995	141,331
Interfund Transfers	-	17,411	17,411	-	-	-	-
TOTAL	\$ 121,564	\$ 458,282	\$ 434,411	\$ 145,435	\$ 2,891	\$ 6,995	\$ 141,331

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**MADISON COUNTY SCHOOL DISTRICT**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED June 30, 2017

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Child Nutrition Cluster -			
Passed Through State Department of Education:			
National School Lunch	10.555	7750002-16	\$ 714,389
		7750002-17	2,602,814
School Breakfast Program	10.553	7760005-16	318,504
		7760005-17	1,147,636
Summer Food Service Program for Children	10.559	7690024-16	5,914
		7740023-16	56,899
		7740023-17	63,726
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	368,491
<b>TOTAL CHILD NUTRITION CLUSTER</b>			<b>5,278,373</b>
Passed Through State Department of Education:			
Child and Adult Care Food Program	10.558	7790021-16	19,406
		7790021-17	86,858
		7800016-16	1,404
		7800016-17	6,296
			113,964
<b>TOTAL U.S. DEPT. OF AGRICULTURE</b>			<b>5,392,337</b>
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>			
National Guard Civilian Youth Opportunities	12.000	GF	103,367
<b>TOTAL U.S. DEPT. OF DEFENSE</b>			<b>103,367</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Special Education Cluster -			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	337AP	20,772
		337B	209,067
		337BP	15,686
		337C	1,833,463
		336CV	91,545
			2,170,533
Special Education - Preschool Grants	84.173	343B	21,583
		343C	92,260
			113,843
<b>TOTAL SPECIAL EDUCATION CLUSTER</b>			<b>2,284,376</b>
<b><u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u></b>			
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	310B	629,149
		310BD	225,517
		310BH	1,485
		310BM	19,086
		310BX	3,432
		310C	1,728,985
		310CD	153,898
		310CM	7,774
		320BE	227,383
			2,996,709
Migrant Education, State Grant Program	84.011	311B	20,442
		311C	179,193
			199,635

The accompanying notes are an integral part of this schedule.

**MADISON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED**

**YEAR ENDED June 30, 2017**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
Title I State Agency Program for Neglected and Delinquent Children	84.013	313C	12,000
Vocational Education - Basic Grants to States	84.048	348AA	603
		348B	8,575
		348BA	4,068
		348C	79,167
			<u>92,413</u>
English Language Acquisition State Grants	84.365	345B	<u>31,180</u>
Improving Teacher Quality - State Grants	84.367	401B	39,492
		401C	<u>425,153</u>
			<u>464,645</u>
Passed Through Berea College: Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379AG	31,666
		379BG	<u>407,175</u>
			<u>438,841</u>
Passed Through University of Kentucky: Investing in Innovation	84.411	4914	<u>4,489</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>6,524,288</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through State Department of Education: ARRA - Head Start, Recovery Act	93.708	6551C	<u>1,078</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,078</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Madison County: Chemical Stockpile Emergency Preparedness Program	97.040	025BM	43,488
		025DT	18,432
		GF	213,750
		GF	<u>35,549</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>311,219</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 12,332,289</u>

The accompanying notes are an integral part of this schedule.

## **MADISON COUNTY SCHOOL DISTRICT**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2017

#### **NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Madison County School District under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Madison County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Madison County School District.

#### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

#### **NOTE C – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received.

#### **NOTE D – INDIRECT COST RATE**

The District has elected to not use the 10 percent de minimum indirect cost rate allowed under the Uniform Guidance.

#### **NOTE E – SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**MADISON COUNTY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2017**

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**Section I-Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued (unmodified):

Internal control over financial reporting:

- Material weakness(es) identified? ☒yes ☐none reported
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐yes ☒none reported

Noncompliance material to financial statements noted?

☐yes ☒no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? ☐yes ☒no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐yes ☒none reported

Type of auditor's report issued on compliance for major programs (unmodified):

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐yes ☒no

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**Section I-Summary of Auditor's Results - Continued**

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Identification of major programs:

CFDA Number	Federal Program or Cluster
<b>DEPARTMENT OF EDUCATION</b>	
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish  
Between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?   X  yes       no

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**Section II – Financial Statement Findings**

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**MATERIAL WEAKNESSES****REFERENCE NUMBER 2017-001 ADJUSTMENTS**

**Condition:** As part of the audit we proposed material adjustments to the financial statements.

**Criteria:** The District's management is responsible for establishing and maintaining internal controls for the proper recording of all the District's accounting transactions.

**Cause:** The District did not identify items to be corrected.

**Effect:** The design of the internal controls identifying adjustments did not prevent material adjustments.

**Recommendation:** We recommend District management and financial personnel review the procedures and processes involved in recording journal entries and enhance its internal control policies to ensure proper recording of these items.

**Views of Responsible Officials and Planned Corrective Action:** The Chief Finance Officer and the finance department staff have reviewed all procedures regarding collection of data for journal entries to ensure all end of year adjustments are captured. The CFO will review all EOY documents with the A/P department for any subsequent period invoices that should be included in year-end payables.

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**Section III – Federal Award Findings and Questioned Costs**

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No matters were reported.

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**MADISON COUNTY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

June 30, 2017

**DEPARTMENT OF AGRICULTURE**

**FINDING 2016-001 – Child Nutrition Cluster – CFDA No. 10.553/10.555/10.559 – Passed Through State Department of Education**

**Significant Deficiency – Procurement**

*Condition* This finding was a significant deficiency stating that the District's policies and procedures were in accordance with state requirements but did not include the required federal requirements regarding procurement.

*Recommendation:* The auditor recommended that the District adopt revised procurement procedures.

*Current Status:* The District implemented revised procurement procedures effective July 1, 2016. No similar findings were noted in the June 30, 2017 audit.

**INDEPENDENT AUDITOR'S  
REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***



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KENTUCKY SOCIETY OF CPAS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Madison County School District  
Richmond, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Madison County School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Madison County School District's basic financial statements, and have issued our report thereon dated September 25, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Madison County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs at item 2017-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Madison County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract*.

We noted certain matters that we reported to management of Madison County School District in a separate letter dated September 25, 2017.

## **Madison County School District's Response to Findings**

Madison County School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Madison County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants  
Elizabethtown, Kentucky  
September 25, 2017

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**



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KENTUCKY SOCIETY OF CPAS

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
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Kentucky State Committee for School District Audits  
Members of the Board of Education  
Madison County School District  
Richmond, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Madison County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Madison County School District's major federal programs for the year ended June 30, 2017. Madison County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Madison County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Madison County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Madison County School District's compliance.

## Opinion on Each Major Federal Program

In our opinion, Madison County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

Management of Madison County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Madison County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Madison County School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants  
Elizabethtown, Kentucky  
September 25, 2017